

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Oppose
SPONSOR: California Judges Association

BILL NUMBER: SB 503
AUTHOR: J. Vargas

BILL SUMMARY: Judges' Retirement

This bill would allow a judge to make a one-time written election, prior to retirement, to purchase service credit in the Judges Retirement System II (JRS II) for any number of whole years served as a full-time subordinate judicial officer (SJO). Current law only allows a judge to purchase service credit for the entire time served as an SJO.

FISCAL SUMMARY

The extra years of service credit could create an added expense to the state based on conservative estimations of the actuarial present value of the cost. This bill gives added flexibility for judges to be able purchase incremental years of service while employed as an SJO. This added flexibility creates an incentive for judges to purchase service credit in the JRS II. According to CalPERS, administrative costs would be minor and absorbable. CalPERS does not believe this bill would make the employer contributions more volatile.

COMMENTS

The Department of Finance opposes this bill for the following reasons:

- The purchase of additional service credit is inconsistent with the Administration's recent pension reform proposals. The Governor is looking at the elimination of service credit purchase as a part of his overall pension reform proposals.
- Allowing judges to purchase additional service time in JRS II provides enhanced flexibility to enrich their retirement benefits.
- Allowing the incremental purchase/transfer of service credit creates an incentive for judges to purchase service credit into the JRS II. Although the judges are paying the employee and employer cost, the actuarial present value may not cover the actual cost of the additional years of service time over the life of the judges and their beneficiaries' pension payouts. This could result in a fiscal impact to the state.

The JRS II is a contributory retirement system for newly elected or appointed judges. The normal contribution rate for JRS II members is 8 percent of salary. The state's contribution is annually determined by the CalPERS Board of Administration to assure the actuarial soundness of the JRS II. In the past three years, the state's contribution to JRS II has ranged from 19 percent to 24 percent of salary. As of January 2011, the average annual salary for members of the JRS II is \$187,032.

Existing law allows a judge to transfer/purchase JRS II service credit for all of the time served as an SJO at the full actuarial employee and employer cost. This bill would allow a judge to purchase only a portion of their accrued years of service as an SJO instead of all years of service time when transferring SJO time to JRS II time, as required by current law. This would increase a judge's ability to purchase JRS II service credit and receive a richer benefit.

Analyst/Principal (0931) K. Martone	Date	Program Budget Manager Diana Ducay	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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BILL NUMBER

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Public Employees' Retirement Fund